AR52



1965 ANNUAL REPORT

MARITIME TELEGRAPH AND TELEPHONE COMPANY, LIMITED


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MARITIME TELEGRAPH AND TELEPHONE COMPANY, LIMITED

ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1965

HIGHLIGHTS OF 1965

The Company gained a record 11,781 telephones, bringing the total in service to 218,533, of which 87.1% were dial operated.

Residence subscribers with individual lines increased from 67.7% at the end of 1964 to 69.2%.

Long distance usage increased 9.6%.

Plant additions amounted to $11,703,000, bringing the total telephone plant investment to $114,132,000.

Total plant investment per telephone was $522 compared with $509 in 1964.

Revenues rose by 9.8%; operating expenses by 10.4%.

Return on total capital was 6.27% compared with 6.23% in 1964.

Earnings per average common share were $1.18, up three cents over 1964, while the number of shares was 3.9% higher.

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MARITIME TELEGRAPH AND TELEPHONE COMPANY, LIMITED

BOARD OF DIRECTORS

***A. GORDON ARCHIBALD**
President
Maritime Telegraph & Telephone Co., Ltd.
Halifax

DONALD F. ARCHIBALD
President
Archibald Farms Limited
Port Williams

MELBOURNE R. CHAPPELL
Vice-President
Island Construction Company, Limited

***FOSTER H. DOYLE**
Former Vice-President
Maritime Telegraph & Telephone Co., Ltd.
Halifax

JAMES A. HOBBS
Executive Vice-President
The Bell Telephone Company of Canada
Montreal

SEYMOUR W. KENNEY
President
Kenney Construction Company
Yarmouth

***A. MURRAY MacKAY**
Chairman of the Board
Maritime Telegraph & Telephone Co., Ltd.
Halifax

***CLARENCE J. MORROW**
Chairman
Ocean Fisheries Ltd.
Lunenburg

***DONALD W. MYERS**
Vice-President—Finance
Maritime Telegraph & Telephone Co., Ltd.
Halifax

EDWARD A. ROLPH
Executive Vice-President
The Bell Telephone Company of Canada
Montreal

***FRANCIS D. SMITH, Q.C.**
Partner
Burchell, Smith, Jost, Burchell and Chisholm
Halifax

***PERCY J. SMITH**
Vice-President
W. C. Pitfield & Company, Limited
Halifax

FRANK H. SOBEY
Chairman of the Board
Sobey Stores Limited
Stellarton

CHARLES E. STANFIELD
Vice-President
Stanfield's Limited
Truro

*Members of Executive Committee



A. M. MacKAY A. G. ARCHIBALD D. W. MYERS D. F. ARCHIBALD M. R. CHAPPELL F. H. DOYLE J. A. HOBBS



S. W. KENNEY C. J. MORROW E. A. ROLPH F. D. SMITH, Q.C. P. J. SMITH F. H. SOBEY C. E. STANFIELD

OFFICERS

A. Murray MacKay	Chairman of the Board
A. Gordon Archibald	President
Donald W. Myers	Vice-President—Finance
W. Struan Robertson	Secretary and General Counsel
Stuart P. Conrod	Treasurer
Stephen E. Jefferson	Comptroller

OPERATIONS

William A. Logan	General Manager
G. Donald Robb	General Traffic Manager
G. Kendall Foster	General Plant Manager
Alexander H. MacKinnon	Chief Engineer
Murray W. Wallace	General Commercial Manager

PRESIDENT'S REVIEW FOR 1965



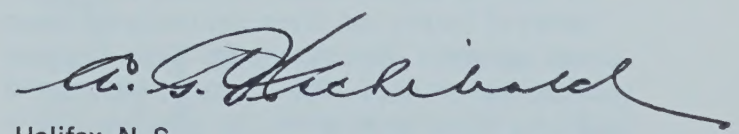
The year 1965 saw the continuation of economic expansion and improvement throughout Nova Scotia as new industries located in the province and plans for the establishment of others were made known. At the same time, several existing industries announced plans for substantial expansion. As the economic activity in the province expands and changes, the complexion of the Company's business is changing with new services and products broadening the communications range for both business and residence users.

The past year was a busy and an interesting one for telephone people. At the same time, the Company experienced a record growth in the number of telephones to meet additional service requirements throughout the province. The capacity of the microwave system from Halifax to Sydney was increased to three times its original size. A new microwave installation, connecting the Department of Transport Tracking Station near Mill Village with the continental telecommunications network, was completed. This involved a system capable of carrying several hundred circuits from Mill Village across the province via microwave towers to Aylesford Mountain, thence across the Bay of Fundy and beyond. These are but two of the many challenging projects that were undertaken and completed during 1965.

During 1965 too, plans were made for the modernization of telephone facilities throughout Nova Scotia with an announced six-point ten year program. This includes the change to dial of the remaining exchanges where customers are now receiving manual service. The number of telephones in these exchanges represents approximately 12% of the total Company telephones. The plan also includes the continuation of the program for the acquisition of small mutual and rural telephone companies that wish to be taken over, the enlargement of local calling areas and a continued expansion of Direct Distance Dialing to the larger centres of the province.

The present rates charged for telephone service are, for the most part, those that were approved by the Board of Commissioners of Public Utilities for the Province of Nova Scotia in 1952. Since that time, the cost of living has increased approximately 19%. Few businesses if any are able to operate on rate levels established almost fourteen years ago and, in order to improve the earnings of the Company and at the same time make possible the implementation of the modernization program, an application is now before the Board of Commissioners of Public Utilities for the Province of Nova Scotia requesting tariff changes which, if approved, will result in improved revenues and income. Good earnings are essential if the Company is to move ahead in providing a continuing improved telecommunications service in Nova Scotia.

More than money will be needed, however. The job requires skilled and dedicated people, and the Company is indeed fortunate that it has in its employees just such people. In fact, the Company's ability to progress depends upon people — not only employees — but customers, investors and the public at large, and their appreciation that the interests of each group must be in balance. This understanding in the broad sense of Company requirements can only be maintained through a policy that gives consideration to good service, good earnings, good employee morale and good public relations.



Halifax, N. S.
March 18, 1966

DIRECTORS' REPORT TO THE SHAREHOLDERS

SERVICE GROWTH AND IMPROVEMENT

For the second successive year the Company achieved a record in the number of telephones gained. During 1965, 11,781 telephones were added—8,064 in homes and 3,717 in business establishments—bringing the total in service to 218,533. To achieve this net gain, 57,646 telephones were connected or installed and 45,865 were disconnected.

The convenience and quality of residence service were further improved. Illustrating the importance of a telephone in the average Nova Scotia home is a continuing rise in the number of residence extensions, 1,792 in 1965. At the year end there were 15 extensions to every 100 residence main stations compared to 14 in 1964 and 9.5 in 1955. Sixty-nine per cent of all residence customers had individual line service at the end of 1965, up from 67.6% a year earlier and 46.5% ten years ago.

During 1965 extended area service was provided in the Kentville—Wolfville—Canning area whereby long distance charges between the three exchanges were removed. Also during 1965 the Company's application to the Board of Commissioners of Public Utilities to enlarge, by over 12 square miles, the base rate boundaries of Sydney and Glace Bay exchange areas was approved. The change for Glace Bay was effective October 1, 1965 and for Sydney, due to the construction involved, the effective date is August 1, 1966. The wider base rate boundaries mean better service to many customers and to some a reduction in charges.

Long distance usage in 1965 increased by 9.6% and local calling by 5.9%. Total daily conversations, both local and long distance, added up to 1,285,000. This was 85,000 per day more than during 1964.

CONSTRUCTION

Construction expenditures in 1965 amounted to $11,959,274. These construction dollars not only expanded the Company's facilities but also made it possible to meet customers' needs for new and improved service.

The construction program included:

$2,803,000 for central office equipment for local and long distance services.

$4,015,000 for outside plant equipment such as pole lines, wires and cables.

$2,985,000 for telephone equipment on customers' premises, such as telephones, private branch exchanges and other special communications facilities for business, industry and government.

$617,000 for new buildings.

Central Office Facilities—Major equipment additions in several central offices were completed during 1965 to provide switching facilities necessary to handle an increased number of local and long distance messages.

Extensions to dial offices were completed at Glace Bay, Elmsdale, New Glasgow, Bedford, Dartmouth, Spryfield, Bridgewater, Berwick, Chester, Lockeport and Mahone Bay. Installation of a new crossbar dial office at Brookfield was completed with cutover scheduled for January 1966. Two large extensions to dial crossbar facilities at Halifax and Sydney were also started for completion in 1966.

To meet the requirements of increased long distance calling, new toll dial equipment was added to Digby, Shelburne, Parrsboro and Halifax, and extensions to the toll switchboards at Amherst, Bridgewater and New Glasgow were completed. Twenty-four new carrier systems which operate on open wire and cable were also placed in service, from which fifty-seven additional long distance circuits were derived. These are exclusive of new circuits added to microwave radio systems. In total over 6,600 miles of long distance circuits were added by the Company during the year.

Microwave — The final phase of enlarging microwave facilities between Gore and Sydney was completed in 1965. This project increases the capacity of a radio channel from 300 to 960 circuits, and will enable the Company to meet the growing demand for long distance message service, television, radio and other telecommunication offerings.

A new microwave system to provide the ground communications from the Department of Transport's "Earlybird" Satellite Tracking Station at Mill Village to the communications networks of Canada and the United States was constructed during the year. Five sites are involved in the new system starting at the radome with repeaters at Mill Village, Baker's Settlement, Dalhousie and Aylesford. After completion of tests the new microwave system is scheduled to go into service early in 1966.

Outside Plant—Expanded outside plant facilities, which include poles, wires, cable etc., were provided in Glace Bay, Sydney, Truro, New Glasgow, Halifax, Dartmouth, Bridgewater and Kentville. New toll cables were placed between Truro and Debert and Truro and Brookfield, and an additional cable was erected between Kentville and Canning to provide facilities for extended area service between these exchanges.

In total, 320 miles of aerial cable was erected during 1965, and 532 miles of cable and wire placed underground. To the extent that conditions permit, wire and cable are being placed underground which has its aesthetic side as well as increasing service reliability through the provision of protection against snow, ice and sleet.

Connecting Companies—The Company continued its program of taking over the responsibility of providing service to rural areas previously

served by mutual or rural "connecting companies." The 1965 program included the acquisition of eighteen companies whose pole lines extended along a total of 149 miles of highway. All of the connecting company plant was either rebuilt or repaired and service was provided to the new subscribers at a cost of $489,000. Since 1960 the Company has assumed the service responsibilities of seventy-four connecting companies involving a capital cost of $2,800,000. Service was provided to 3,780 new applicants in their respective areas.

At the year end there were 144 connecting companies remaining in Nova Scotia, supplying service to 5,544 subscribers. One of the objectives of the Company's projected ten year program is to acquire over this period all of the remaining connecting companies that wish to be taken over.

The following connecting companies were acquired during 1965:

Belleville Rural Telephone Company

Brighton Hills Mutual Telephone Company, Limited

Chedabucto Mutual Telephone Company, Limited

College Mutual Telephone Company, Limited

East Branch Mutual Telephone Company, Limited

Fox Brook Mutual Telephone Company, Limited

Guysborough Intervale Mutual Telephone Company, Limited

Hillside Mutual Telephone Company, Limited

Jordan Bay Mutual Telephone Company, Limited

Loganville Mutual Telephone Company, Limited

Lower LaHave Mutual Telephone Company, Limited

Lower River Mutual Telephone Company, Limited

Meadowville Mutual Telephone Company, Limited

Murrayfield Mutual Telephone Company, Limited

Roman Valley Mutual Telephone Company, Limited

Sunrise Mutual Telephone Company, Limited

Toney River Mutual Telephone Company, Limited

MARKETING

Good telecommunications service contributed to the general economic growth throughout Nova Scotia and the continuing expansion of business was assisted by the Company's services. Many of the modern communication systems are complex, requiring well trained communications consultants to meet the needs of present day business requirements. The Company's consultants analyse communications problems of the customers and make recommendations that will meet present and future requirements.

Some of the more significant marketing highlights of the year include the sale of 35 private automatic branch exchanges, an increase of 28 automatic telephone answering devices, the addition of 21 new customers to private mobile radio telephone service and a 20% increase in yellow page advertising revenue.

A number of new services were introduced such as a pocket-size radio transceiver for the City of Halifax Police Department. These small units enable "beat" policemen to have two-way communications with patrol cars or the police dispatcher. Several pocket paging systems were also sold during 1965. Through the transmission of a tone signal this type of radio equipment enables the suscriber to signal personnel located within a certain radius of the transmitter. It is useful to subscribers operating in large building complexes or with widespread business operations.

During 1965 the Company was also actively engaged in promoting the marketing of its facilities for transmitting data of various types. The increasing use of computers and other similar equipment by business, along with the need to transmit data between machines has opened a major new market in which the Company is vitally interested. Company personnel have been specially trained in this highly technical field in order that they may deal competently with customers' requirements.

Special events during the year included the setting up of radio and television program facilities for news media covering the funeral of Sir Winston Churchill. Video tapes flown across the Atlantic by jet aircraft were fed by television stations in Halifax to five television networks in Canada and the United States through the Company's microwave facilities. Another special event was the provision of facilities to carry colour television coverage of an operation at the Victoria General Hospital, Halifax, to the Canadian Medical Association convention meeting at the Nova Scotian Hotel.

Among the new services demonstrated during the year was the electronic blackboard. This equipment enables an individual to transmit speech and illustrations to several classrooms simultaneously. For example, illustrations or notes placed on the electronic blackboard by a teacher or lecturer are carried over telephone lines and may appear on several screens set up in various classrooms. Special speakers are also provided to receive the speaker's verbal comments. With this equipment, members of the listening audience or class may speak with the lecturer or teacher as they would if they were present in the classroom and hearing the lecture directly.

Marketing is a key activity in improving service to the customer, and it enlists the aid of every employee as well as the Company's regular sales force. As part of this effort all employees are encouraged to promote the use of long distance service, extension telephones and other types of service and equipment.

EMPLOYEES

The task of providing Nova Scotians with a complete communications service was handled

by some 2,300 Company employees, and the achievements of the Company in 1965 were due in large measure to the conscientious application of their skills, knowledge and ability. Their day-to-day performance is the vital factor which gives meaning and purpose to the millions of dollars invested in new plant each year.

The increasing use of labor-saving equipment has served to reduce much of the manual work involved in the Company's business, but the need for efficient, educated and well trained people has kept on increasing.

Employees are selected carefully and trained well. Development programs are carried on continually to help employees attain their full potential in skills and leadership abilities. An example of the importance which is attached to the training and development of employees is the Plant Training Program. During 1965, under this program, 445 Plant personnel completed basic and advanced courses in various technical subjects. The scope of the training included 85 classes and 46 different courses.

Formalized training of management employees which was started in 1960 was continued during 1965.

Many of the Company's employees are to be commended for their efforts to acquire, through night classes and night study, credits for university and similar type courses.

Pay Rolls—The Company's operation continued to expand and during 1965 the number of employees increased by 172 for a total of 2,340. Wage payments for the year amounted to $9-062,940.

Employee Benefits—The Company has a well rounded benefit program which includes a lifetime non-contributory pension plan, group life insurance and a Blue Cross Supplementary Hospital Plan. In the case of illness or accident the program also provides continuous income for varying periods, dependent on years of service, to a maximum period of 52 weeks.

After careful study the decision was made during the year to integrate the Company's pension plan with the Canada Pension Plan. The second decision with regard to employees' pensions was made during 1965 giving effect to portability of pension benefits to employees 45 years of age with 10 or more years of service.

Payments into the Pension Fund amounted to $619,472. The fund is held by Eastern and Chartered Trust Company which is the custodian of the Pension Funds. Pension payments made to 211 service pensioners amounted to $312,238.

Total benefit payments by the Company, including payments into the Pension Fund, sickness benefits, death benefits, group insurance and the Blue Cross Supplementary Hospital

Plan, amounted to $874,812 or 9.6% of the total pay roll during 1965.

In addition, the Company paid $15,535 in Workmen's Compensation, $78,871 in Unemployment Insurance and $184,341 in Old Age Security taxes for a total of $278,747.

Stock Savings Plan—After one year of service, employees are permitted under the Stock Savings Plan to subscribe for common shares of the Company by pay roll deductions. At the end of the year 1,140 employees, or 58% of those eligible, were saving in this manner.

Labor Relations — Throughout the year employee relations within the Company were excellent. Union contracts resulting from bargaining in 1964 remained effective during 1965. A two year contract effective September 20, 1964, between the Company and its Traffic operators, who are members of the International Brotherhood of Electrical Workers, was signed following negotiations. An eighteen month contract effective January 1, 1965, was also signed following negotiations with representatives of the Plant Craft who are also members of the International Brotherhood of Electrical Workers. Representatives of management met with officers of the Telephone Employees' Association and here too agreement was reached on rates of pay and other matters to be effective throughout 1965. Wage increases were included as a part of all three agreements.

Safety—Attention to safety is a way of life for telephone people and the Company places great emphasis on the development of safe working procedures and conditions. Safe performance of work is of prime importance to the efficiency of the Company's business as well as the welfare and safety of its employees.

Testifying to the Company's safety performance was the frequency rate of 4.31 disabling injuries per 1,000,000 employee hours worked in 1965. This compares favorably with the rate of 4.63 set by the National Safety Council.

It is believed that one of the possible contributing items in accident prevention is first aid training, and in 1965 classes were conducted throughout the Company. At the present time, approximately 70% of employees in the Plant Department have received this training.

DIRECTORS

The Company welcomed a new member to the Board of Directors during 1965. Mr. Seymour W. Kenney of Yarmouth, President of Kenney Construction Company, was elected a Director on March 19, 1965, to fill a vacancy created by the resignation of Mr. George Killam.

Mr. Killam, who retired from the Board on December 31, 1964, after thirty-three years of service, passed away on February 9, 1965. He was a member of one of Nova Scotia's most dis-

tinguished families, and spent his lifetime closely associated with the business and community life of Yarmouth.

ORGANIZATION CHANGES

The following organization changes took place during 1965:

S. E. Jefferson was appointed Comptroller effective April 5, 1965, replacing C. S. Mosher who retired after nearly forty years of service with the company.

G. D. Robb was appointed General Traffic Manager effective April 1, 1965, replacing W. S. Dickie who retired after more than forty-three years of service.

T. F. Heenan, Assistant Chief Engineer, was transferred, on loan, to The Trans-Canada Telephone System as Executive Assistant to the Chairman, effective May 15, 1965. Mr. Heenan also serves as Chairman of the Advisory Group of The Trans-Canada Telephone System.

A LOOK AHEAD

The record for 1965 was one of substantial progress and accomplishment in expanding and improving service. However, each new year presents the challenge to do more than the preceding year and to do it more quickly and efficiently. With the combined influence of increased productivity, strong marketing effort and a moderate increase in rates the Company is confident that it can meet the challenging objectives of its ten year program of service improvement and growth, and at the same time meet the equally important requirements of fair and reasonable treatment of employees and adequate earnings for shareholders.

The forecast of construction expenditures for 1966, which will be the first year in the proposed ten year program, calls for a very sharp rise for a record of $18,600,000 compared to $11,959,274 in 1965. External financing will be required in 1966.

Total capital expenditures for the next five years, which are estimated to be approximately $100,000,000, demonstrate the confidence that the Board of Directors of Maritime Telegraph and Telephone Company, Limited have in the future of Nova Scotia.



President

March 18, 1966.

MARITIME TELEGRAPH AND TELEPHONE COMPANY, LIMITED

FINANCIAL STATEMENTS

1965

IN BRIEF

FINANCING Funds were provided in May 1965 by the issue of $7,000,000 in Series "M" 5½% First Mortgage Bonds. This increased the Company's bonded indebtedness to $36,000,000. At the end of 1965 the ratio of debt capital to the total capitalization of the Company stood at 44.4%.

EARNINGS The Company earned a return of 6.27% on the total capital invested in the business, a slight rise from 6.23% earned in 1964. The net income of $3,340,953 for the year showed an increase of 6.2% over net income of $3,144,513 in 1964. On an average common share basis, earnings were $1.18 on 2,738,792 average shares in comparison with $1.15 on 2,635,993 average shares for 1964.

Dividends for the year were at the rate of 70¢ per share on preferred shares and 95¢ per share on common shares and totalled $2,707,051. The balance of $633,902 representing approximately 23¢ per common share was invested in the business.

REVENUES Operating revenues were $24,287,499, up 9.8% from 1964. Local service revenues were 7.3% higher than 1964, while toll service revenues were 13.7% higher. In 1965 toll service revenues comprised 44% of total operating revenues compared to 36% in 1956.

OPERATING EXPENSES

Operating expenses totalled $15,744,290 for 1965, up 10.4% from 1964. These expenses include depreciation but do not include taxes. Depreciation charges of $5,008,411 made up the largest single item of operating expenses, representing 32% of the total. Next in order of magnitude was maintenance expense of $4,150,039 representing 26% of the total. During 1965 depreciation expenses rose 9.9% and maintenance expenses rose 7.8% due mainly to the greatly increased investment in plant needed to meet the growing requirements of telephone subscribers.

TAXES

The cost of telephone service included $3,807,535 in taxes during 1965. These taxes average $17.42 per telephone. Of the total taxes paid, $735,914 consisted of municipal and other taxes. The Company also collected and paid out to the Provincial Government $472,931 in taxes on long distance messages.

SHAREHOLDERS

Distribution of shareholders at the end of 1965 was as follows:

	SHAREHOLDERS	PERCENT	SHARES	PERCENT
Nova Scotia	9,904	78.62	2,079,940	71.29
Other Canadian Provinces	2,434	19.32	804,720	27.58
United States	220	1.75	21,884	.75
Other Countries	39	.31	11,098	.38
	12,597	100.00	2,917,642	100.00

BALANCE SHEET As at December 31, 1965 (with comparative figures as at December 31, 1964)

ASSETS

	1965	1964
Fixed Assets		
Telephone Plant and Equipment, at Cost	$114,132,445	$105,137,159
Investments		
Subsidiary Company (Note 1)	$ 1,225,210	$ 1,225,210
Other Investments, at cost	32,545	33,877
Total	$ 1,257,755	$ 1,259,087
Current Assets		
Cash and Deposits	$ 1,009,085	$ 674,484
Temporary Investments of Cash	1,225,000	—
Due from Subsidiary	558,283	61,929
Accounts Receivable	3,353,654	3,054,157
Material and Supplies, at Cost	1,968,952	1,233,693
Prepayments	157,673	155,354
Total	$ 8,272,647	$ 5,179,617
Deferred Charges		
Unamortized Discount on Long Term Debt	$ 286,987	$ 109,437
Other Deferred Charges	146,079	173,326
Total	$ 433,066	$ 282,763
TOTAL	$124,095,913	$111,858,626

Approved

A. M. MacKAY
Director

A. G. ARCHIBALD
Director

LIABILITIES AND SHAREHOLDERS EQUITY

	1965	1964
Shareholders' Equity (Note 2)		
Common Stock	$ 27,676,420	$ 27,113,880
Premium on Common Stock	8,262,747	7,981,477
Retained Earnings (See Page 17)	7,610,897	6,988,146
	$ 43,550,064	$ 42,083,503
Preferred Stock—7% Cumulative	1,500,000	1,500,000
Total	$ 45,050,064	$ 43,583,503
Long Term Debt (Note 3)		
Bonds—1st. Mortgage	$ 36,000,000	$ 29,000,000
Current and Accrued Liabilities		
Note Payable to Subsidiary	$ —	$ 100,930
Accounts Payable	1,792,834	1,217,621
Customers' Deposits	224,414	180,472
Dividends Payable	683,526	670,254
Accrued Bond Interest	376,928	312,760
Accrued Income Taxes	863,459	1,052,969
Other Accrued Liabilities	14,860	—
Total	$ 3,956,021	$ 3,535,006
Deferred Credits		
Income Taxes (Note 4)	$ 7,938,359	$ 7,147,796
Employees' Stock Savings Plan	265,852	618,709
Other Deferred Credits	62,254	32,215
Total	$ 8,266,465	$ 7,798,720
Reserves		
Depreciation	$ 30,244,614	$ 27,362,648
Contingent	432,767	432,767
Insurance and Casualty	145,982	145,982
Total	$ 30,823,363	$ 27,941,397
TOTAL	$124,095,913	$111,858,626

The accompanying notes are an integral part of the financial statements.

INCOME STATEMENT for the year ended December 31, 1965

(with comparative figures for the year ended December 31, 1964)

	1965	1964
Operating Revenues		
Local Service	$ 12,917,491	$ 12,042,889
Long Distance Service	10,672,741	9,384,702
Miscellaneous	804,609	806,086
	$ 24,394,841	$ 22,233,677
Less—Uncollectible Operating Revenues	107,342	106,002
Total Operating Revenues	$ 24,287,499	$ 22,127,675
Operating Expenses		
Maintenance	$ 4,150,039	$ 3,848,656
Depreciation (Note 5)	5,008,411	4,556,318
Traffic	2,569,546	2,367,562
Commercial	1,316,592	1,210,283
Administrative and Other	2,699,702	2,273,043
Total Operating Expenses	$ 15,744,290	$ 14,255,862
	$ 8,543,209	$ 7,871,813
Operating Taxes		
Income Taxes (Note 6)	$ 3,071,621	$ 2,872,214
Other Taxes	735,914	654,502
Total Operating Taxes	$ 3,807,535	$ 3,526,716
Net Operating Income	$ 4,735,674	$ 4,345,097
Other Income		
Dividends from Subsidiary	$ 86,400	$ 79,200
Interest	162,400	81,951
Miscellaneous	6,335	9,875
	$ 255,135	$ 171,026
Less: Miscellaneous Deductions	56,831	43,194
Other Income, Net	$ 198,304	$ 127,832
Total Income Before Fixed Charges	$ 4,933,978	$ 4,472,929
Fixed Charges		
Bond Interest	$ 1,515,925	$ 1,268,750
Other Interest	47,847	36,829
Amortization of Intangible Assets	29,253	22,837
Total	$ 1,593,025	$ 1,328,416
Income Available for Dividends	$ 3,340,953	$ 3,144,513
Dividends		
Preferred	$ 105,000	$ 105,000
Common	2,602,051	2,416,177
Total	$ 2,707,051	$ 2,521,177
Net Income After Dividends	$ 633,902	$ 623,336

STATEMENT OF RETAINED EARNINGS for the Year Ended December 31, 1965

(with comparative figures for the year ended December 31, 1964)

	1965	1964
Balance, January 1	$ 6,988,146	$ 6,390,830
Miscellaneous Deductions	11,151	26,020
	$ 6,976,995	$ 6,364,810
Net Income After Dividends	633,902	623,336
Balance, December 31	$ 7,610,897	$ 6,988,146

SOURCE AND APPLICATION OF FUNDS for the Year Ended December 31, 1965

(with comparative figures as at December 31, 1964)

	1965	1964
SOURCE OF FUNDS		
Operations:		
Net Income for the year	$ 3,340,953	$ 3,144,513
Add Depreciation and other expenses not requiring an outlay of funds	5,583,089	5,076,846
Funds provided from operations	$ 8,924,042	$ 8,221,359
Miscellaneous Items	712,334	635,523
	$ 9,636,376	$ 8,856,882
External Financing:		
Series "M" Bond Issue	$ 7,000,000	$ —
Proceeds from Stock Issues	843,810	4,118,944
Increase (Decrease) in Deferred Credits—Employees' Stock Savings Plan	(352,857)	456,049
	$ 7,490,953	$ 4,574,993
	$ 17,127,329	$ 13,431,875
APPLICATION OF FUNDS		
Construction Expenditures:		
Gross Additions to Plant	$ 11,703,425	$ 11,815,614
Cost of Removing old Plant	255,849	190,371
	$ 11,959,274	$ 12,005,985
Deduct charges to construction not requiring an outlay of funds	414,440	434,520
	$ 11,544,834	$ 11,571,465
Dividends	2,707,051	2,521,177
Purchase of Additional Shares of The Island Telephone Co. Ltd	—	256,500
Miscellaneous Items	203,429	126,610
	$ 14,455,314	$ 14,475,752
Increase (Decrease) in Working Capital	2,672,015	(1,043,877)
	$ 17,127,329	$ 13,431,875

AUDITORS' REPORT

To the Shareholders,

Maritime Telegraph and Telephone Company, Limited

We have examined the balance sheet of Maritime Telegraph and Telephone Company, Limited, as at 31st. December, 1965, and the related statements of income and retained earnings for the year 1965, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and the related statements of income and retained earnings present fairly the state of the affairs of the Company as at 31st. December, 1965, and the results of its operations for the year 1965, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, according to the best of our information and the explanations given to us and as shown by the books of the Company.

Our examination also included the accompanying statement of source and application of funds which, in our opinion, when considered in relation to the aforementioned financial statements, presents fairly the sources and applications of funds of the Company for the year ended 31st. December, 1965.

LEE & MARTIN,

Chartered Accountants.

Halifax, N. S.

28th January, 1966

NOTES TO FINANCIAL STATEMENTS

(1) The accounts of the Company and its subsidiary, The Island Telephone Company Limited, have not been consolidated because the Company is under the jurisdiction of the Board of Commissioners of Public Utilities for the Province of Nova Scotia, whereas The Island Telephone Company, Limited is under the jurisdiction of the Public Utilities Commission of the Province of Prince Edward Island. The Company holds approximately 56% of the common shares of The Island Telephone Company, Limited.

(2) Capital Stock

Par Value, $10 per share
Authorized $50,000,000
Issued:—

Common—as at December 31, 1964	2,711,388 shares
—issued during year	56,254 shares
—as at December 31, 1965	2,767,642 shares
Preferred—7% cumulative	150,000 shares

(3) Long Term Debt

Series G Maturing March 15, 1971	3½%	$ 5,000,000
Series D Maturing April 1, 1971	4%	1,000,000
Series F Maturing July 2, 1972	3%	3,000,000
Series H Maturing July 2, 1972	4½%	2,500,000
Series I Maturing May 1, 1975	3¾%	3,000,000
Series E Maturing July 1, 1976	3%	2,000,000
Series J Maturing September 15, 1978	5¼%	3,500,000
Series K Maturing November 1, 1980	5½%	4,000,000
Series L Maturing June 15, 1983	5½%	5,000,000
Series M Maturing May 1, 1985	5½%	7,000,000
		$36,000,000

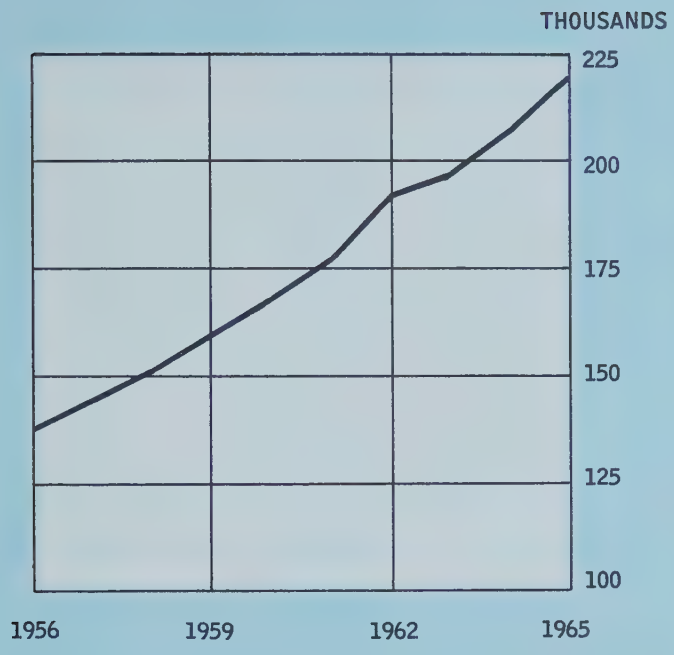
(4) Deferred Income Taxes arise from claiming maximum capital cost allowances in excess of straight line depreciation charges in calculating taxable income; these deferred credits will be used in future years when straight line depreciation charges exceed maximum capital cost allowances.

(5) Depreciation is charged under the straight line method, using component depreciation rates as approved by the Board of Commissioners of Public Utilities for the Province of Nova Scotia.

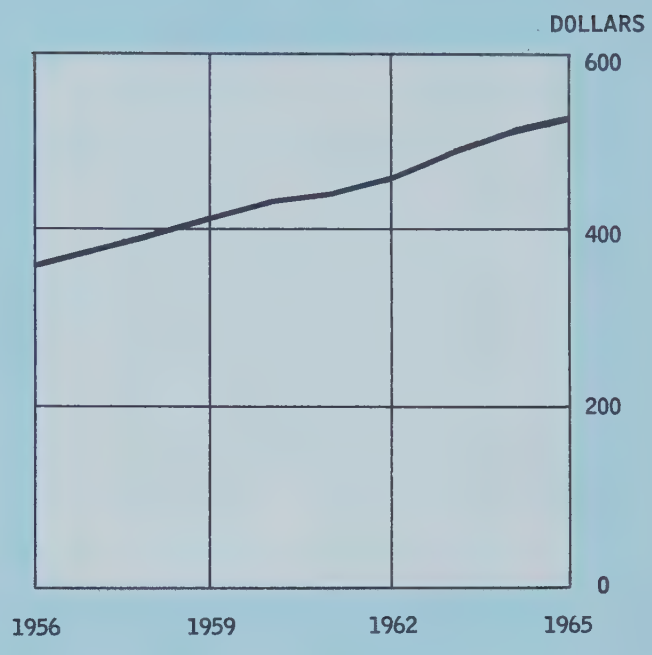
(6) Income Taxes include the amount ($827,829), deferred to future years, which arises from claiming maximum capital cost allowances in excess of straight line depreciation charges.

A GRAPHIC REVIEW OF OPERATIONS

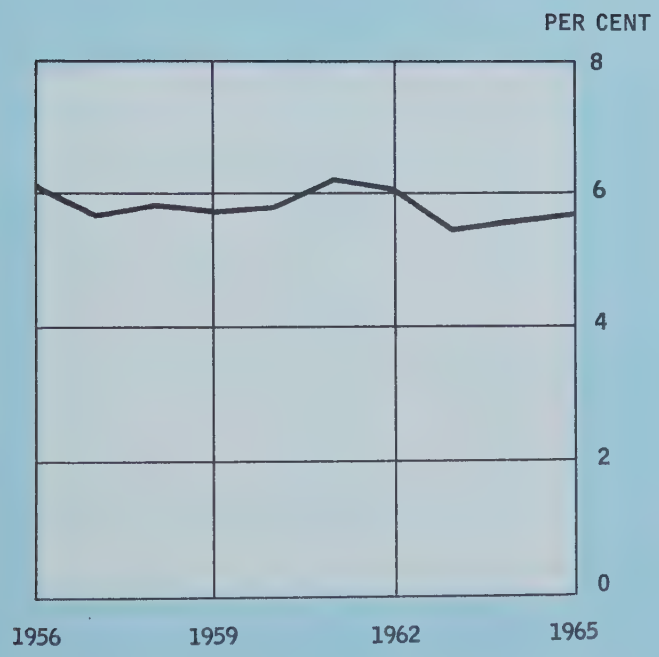
Telephones in Service



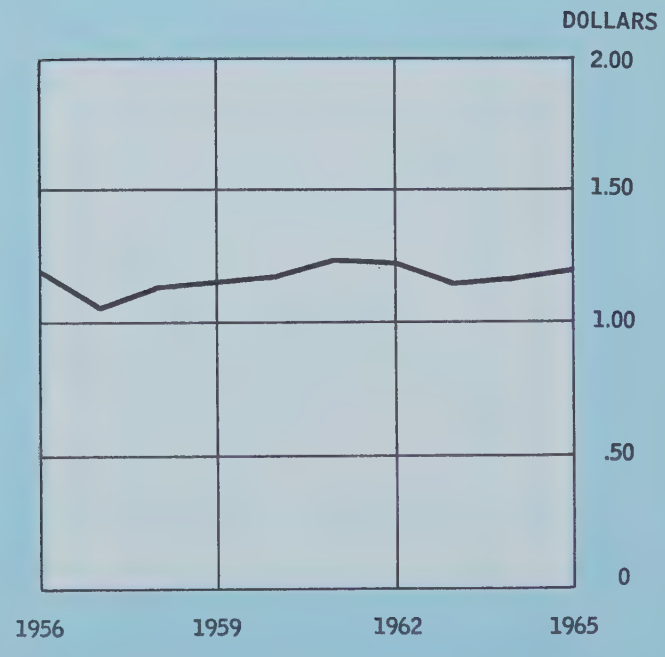
Plant Investment Per Telephone



Return On Rate Base



Earnings Per Share



THE YEARS IN REVIEW

AT END OF YEAR	1965	1964
NUMBER OF COMPANY TELEPHONES	218,533	206,752
Business	57,519	53,802
Residence	161,014	152,950
Per Cent Residence	73.68	73.98
Per Cent Dial	87.10	87.28
Connecting Company Telephones	5,544	5,582
Total Telephones in Nova Scotia	224,077	212,334
NUMBER OF CONNECTING COMPANIES	144	162
NUMBER OF COMPANY CENTRAL OFFICES	155	156
NUMBER OF COMPANY BUILDINGS	131	134
MILES OF POLE LINES	5,182	5,165
MILES OF WIRE	860,801	790,641
In Aerial Cable	527,821	480,392
In Underground Cable	243,584	226,232
In Submarine Cable	2,612	2,593
In Open Wire	85,442	80,693
In Buried Wire	1,342	731
NUMBER OF TELEPHONE CALLS		
Local	419,746,000	396,467,000
Long Distance	10,768,453	9,820,857
TOTAL PLANT AND EQUIPMENT	$114,132,445	$105,137,159
Per Telephone	522	509
PLANT ADDITIONS	11,703,425	11,815,614
TOTAL OPERATING REVENUES	$ 24,287,499	$ 22,127,675
TOTAL OPERATING EXPENSES	$ 15,744,290	$ 14,255,862
TAXES	$ 3,807,535	$ 3,527,242
Dominion Government	3,150,491	2,947,258
Provincial Government	200	200
Civic and Municipal	656,844	579,784
Taxes per Telephone Paid by Company	17.42	17.06
Tax on Long Distance Messages Collected for Provincial Government	472,931	426,358
Tax per Telephone Paid by Subscribers	2.16	2.06
NUMBER OF EMPLOYEES	2,340	2,168
Men	1,044	962
Women	1,296	1,206
TOTAL PAYROLL	$ 9,062,940	$ 8,348,804
NUMBER OF SHAREHOLDERS	12,597	12,762
In Nova Scotia	9,904	10,175
In Other Canadian Provinces	2,434	2,329
Elsewhere	259	258
TOTAL SHARES OUTSTANDING	2,917,642	2,861,388

1963	1962	1961	1960	1955
195,986*	187,536	176,853	167,274	131,002
50,505*	48,154	45,166	42,715	33,594
145,481*	139,382	131,687	124,559	97,408
74.23*	74.32	74.46	74.48	74.36
86.88	86.76	86.12	84.58	77.78
5,850*	6,331	6,797	7,264	7,785
201,836*	193,867	183,650	174,538	138,787
171	184	202	222	256
154	152	151	148	142
126	121	110	109	85
5,092	4,988	4,946	4,833	4,412
714,316	657,249	615,794	577,595	364,959
437,645	406,127	379,809	349,652	191,728
195,039	172,082	160,779	157,471	114,871
2,610	2,582	2,554	2,701	1,725
78,482	76,041	72,468	67,771	56,635
540	417	184	—	—
375,221,000	361,055,000	348,318,595	333,112,040	271,117,510
9,016,553	8,589,756	8,033,316	7,537,681	5,576,381
$ 95,819,593	$ 85,512,236	$ 77,651,494	$ 71,865,287	$ 43,515,176
485	456	439	430	332
11,285,059	9,741,564	7,481,235	8,049,449	5,225,677
$ 19,981,166	$ 18,776,459	$ 17,509,115	$ 16,208,679	$ 10,834,063
$ 12,924,487	$ 11,697,494	$ 10,845,022	$ 10,273,541	$ 6,885,589
$ 3,198,041	$ 3,227,980	$ 3,060,736	$ 2,771,762	$ 1,793,506
2,668,084	2,733,007	2,594,409	2,326,506	1,468,334
200	200	400	400	250
529,757	494,773	465,927	444,856	324,922
16.18	17.21	17.30	16.57	13.69
388,667	366,748	337,590	312,179	210,658
1.97	1.96	1.91	1.87	1.61
2,086	1,915	1,850	1,828	1,752
932	799	772	735	707
1,154	1,116	1,078	1,093	1,045
$ 7,466,225	$ 6,816,913	$ 6,226,644	$ 5,980,023	$ 4,365,668
12,170	12,359	11,754	11,857	10,183
9,791	9,819	9,634	9,787	8,305
2,132	2,308	1,870	1,820	1,631
247	232	250	250	247
2,603,354	2,573,534	2,206,244	2,166,644	1,526,876

*Adjusted figures

TELEPHONE PEOPLE AT WORK

In virtually every Nova Scotian community, people in the telephone industry play a vital role. They do this in a variety of ways, with skill, dedication and efficiency. In 1965, 172 new employees joined the Company, bringing the total to 2,340. They earned a payroll of $9,062,940. In the course of the year, in one department alone, there were 85 training classes in 46 courses—each different—in which 445 personnel completed basic and advanced courses.



CRAFTSMEN FACE SPECIAL TASKS

During the year, expert craftsmen completed projects "on target", including this special job: a closed-circuit, color television transmission from Halifax's Victoria General Hospital to a downtown auditorium where the Canadian Medical Association was able to demonstrate, live, new diagnostic, surgical and therapy techniques.



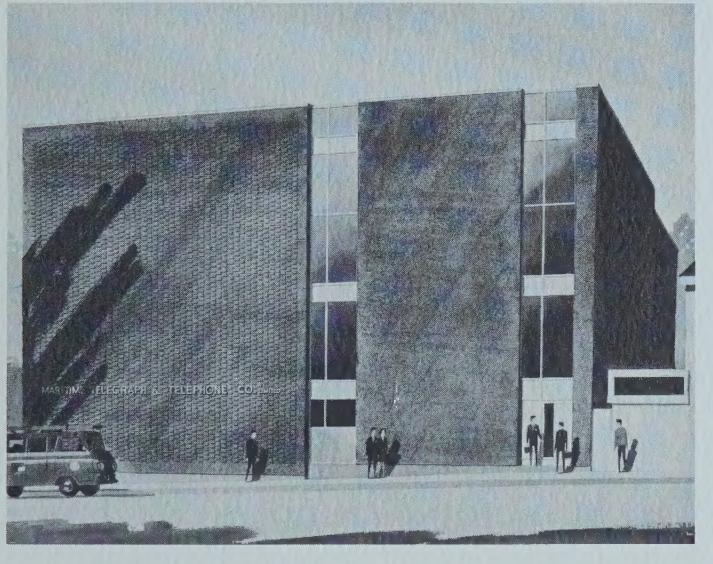
MARKETING COMPANY SERVICES

Increasingly, a vital service made available to telephone customers has been the promotional medium of "yellow pages". Using floats such as this, the Company has increased advertising in its four directories substantially. Other special services marketed during the year included special, miniaturized two-way receivers for policemen "on the beat." This pocket-sized transceiver is now being used by Halifax police. As well, a number of pocket-paging units have been sold; using these, a factory foreman or busy executive can be paged by tone signal when not close to his office.



HELPING RECORD HISTORY

Last minute changes in plans for transmission of films of the funeral of Sir Winston Churchill made Halifax the focal point of feverish, overnight activity to meet the challenge. Flown in by RAF fighter-bomber, shown here, the films were rushed to local studios. From there, they were transmitted to more than 200 million North Americans on three separate MT&T television channels, with simultaneous receipt for local TV broadcasting on two additional channels. Job was completed and rated as technically flawless by U.S. and Canadian television producers.



BUILDING TO MEET CUSTOMER NEEDS

More than 11,700 new telephones were added in 1965, as Company customers made an average of 1,285,000 telephone calls a day—an increase of 85,000 a day over the year before. To meet this increasing need, extensions to dial offices—such as this one in Dartmouth—were carried out. As plans for Halifax area Direct Distance Dialing are carried out, with a cut-over date for mid-1967, construction costs rise. In 1965, these totalled $11,959,274; in 1966, they will total $18,600,000.



MANAGEMENT PLANNING SESSION

At management sessions, coordination and execution of Company policies are carefully planned. During the year, Extended Area Service linked the communities of Wolfville, Kentville and Canning in a single, toll-free calling area. Enlargement of Free Mileage areas was put into effect in Glace Bay, and approved for mid-1966 for Sydney and area. Shown, left to right: M. W. Wallace, general commercial manager; S. E. Jefferson, comptroller; A. H. MacKinnon, chief engineer; G. D. Robb, general traffic manager; in foreground, at right, D. W. Myers, vice-president—finance.

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